

Message Text

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ACTION EB-07

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SUBJECT: EC ECONOMIC AND SOCIAL COMMITTEE OPINION ON MTN

REF: (A) PARIS 432 (B) 76 MTN GENEVA 9730

1. ON APRIL 27, EC ECONOMIC AND SOCIAL COMMITTEE, AN ADVISORY BODY GROUPING REPRESENTATIVES OF BUSINESS, LABOR, FARMERS AND THE GENERAL PUBLIC, DELIVERED ITS NON-BINDING OPINION ON EC INTERESTS AND OBJECTIVES IN THE MTN. THE COMMITTEE MADE SEVERAL AMENDMENTS TO AND THEN ADOPTED UNANIMOUSLY, WITH ONE ABSTENTION, A REPORT PREPARED BY ITS FOREIGN AFFAIRS SECTION. COPIES OF THIS REPORT HAVE BEEN POUCHED TO EUR/RPE-CASEY AND MTN DEL-CULBERT.

2. MAJOR CONCLUSIONS OF THE REPORT ARE AS FOLLOWS:

-- EC'S DEPENDENCE ON IMPORTS HAS GREATLY INCREASED SINCE KENNEDY ROUND. IN COMMITTEE DISCUSSION, IT WAS AGREED TO EXPAND THIS IDEA WITH STATEMENT THAT "...NEGOTIATIONS MUST INCREASINGLY COVER LIMITED OFFICIAL USE

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NOT ONLY FREER ACCESS TO MARKETS, BUT ALSO ACCESS WITHOUT DISCRIMINATION TO RAW MATERIALS AND BASIC COMMODITIES."

-- SAFEGUARDS. IT MAY BE NECESSARY FOR SOME SECTORS (THE REPORT IDENTIFIES TEXTILES, STEEL AND SHIPBUILDING) TO "FIX LEVELS OF COMMUNITY PRODUCTION WHICH SAFEGUARD JOBS AND ECONOMIC ACTIVITY..."

-- MONETARY LINK CANNOT BE NEGLECTED. MTN RESULTS MUST BE IMPLEMENTED "SIMULTANEOUSLY" WITH MEASURES DESIGNED TO RE-ESTABLISH AN EQUITABLE AND LASTING MONETARY ORDER.

-- ARBITRATION ROLE OF GATT SHOULD BE STRENGTHENED.

-- INDUSTRIALIZED COUNTRIES SUCH AS CANADA AND AUSTRALIA MUST ACCEPT SAME OBLIGATIONS AS EC, JAPAN AND US.

-- ALTHOUGH LDC'S SHOULD BE GIVEN SPECIAL TREATMENT, "THEY MUST NOT BE GRANTED GENERAL EXCEPTIONS" TO INTERNATIONAL RULES; A DISTINCTION SHOULD BE MADE BETWEEN LDC'S NEEDING PREFERENTIAL TREATMENT AND THOSE ABLE "TO FACE INTERNATIONAL COMPETITION UNDER NORMAL CONDITIONS"; GSP CONCESSIONS SHOULD REMAIN UNILATERAL AND TEMPORARY. A WAY SHOULD BE FOUND TO ADAPT GATT, WITHOUT RADICALLY ALTERING ITS CHARACTER, TO MEET LDC NEEDS. THE WORK OF THE MTN FRAMEWORK GROUP SHOULD BE CLOSELY FOLLOWED.

-- QUESTION OF HOW TO OBTAIN RECIPROCITY FROM EAST EUROPEANS MUST BE EXAMINED CAREFULLY.

-- ON ALL POINTS, EC SHOULD NOT MERELY REACT TO US OR LDC POSITIONS BUT SHOULD HAVE ITS OWN DELIBERATE STRATEGY.

-- SPECIFIC AREAS OF NEGOTIATION-REPORT ENDORSES EC MANDATE OBJECTIVES IN TARIFFS, AGRICULTURE, NTB'S, SUBSIDIES/COUNTERVAIL AND SAFEGUARDS. REPORT ADDS THAT EC "SHOULD ALSO FIRMLY RE-ITERATE ITS POSITION THAT THE NON-CHARGING OF VAT ON EXPORTS LIMITED OFFICIAL USE

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DOES NOT CONSTITUTE AN EXPORT SUBSIDY...THE ACTION NOW BEING BROUGHT IN THE USA BY US STEEL WOULD, IF DECIDED IN THE LATTER'S FAVOR, CONSTITUTE A FLAGRANT VIOLATION OF GATT RULES". IT FINDS THAT SECTOR APPROACH "COULD BE OF REAL VALUE FOR SOME COMMUNITY INDUSTRIES WHICH POSE SPECIAL PROBLEMS, BEARING IN MIND SOCIAL ASPECTS AND EMPLOYMENT."

3. REPORT CONCLUDES BY NOTING "INSTITUTIONAL IMBALANCE" BETWEEN US AND EC NEGOTIATORS WHEREBY US AGREEMENTS IN NON-TARIFF FIELD MUST BE APPROVED BY CONGRESS. ALSO, US TRADE ACT "CONFLICTS IN MANY RESPECTS WITH THE INTERNATIONAL RULES WHICH ARE OBSERVED BY THE OTHER PARTIES TO GATT." PROCEDURE FOR LODGING COMPLAINTS CREATES AN ATMOSPHERE OF INSECURITY HARMFUL TO EC EXPORTERS. AS ONE SOLUTION TO THESE PROBLEMS OPINION URGES THAT MTN RESULTS BE SUBMITTED TO "COMMUNITY SCRUTINY...WHEREBY THE EUROPEAN PARLIAMENT WOULD HAVE TO GIVE AN OPINION AND THE ECONOMIC AND SOCIAL COMMITTEE WOULD HAVE TO BE CONSULTED" BEFORE IMPLEMENTATION.

4. ECSC STAFF MEMBER WHO DRAFTED REPORT FOR THE COMMITTEE INFORMS US THAT GOAL OF FOREIGN AFFAIRS SECTION HAD BEEN TO PRODUCE A DOCUMENT WHICH ECHOED FAITHFULLY CONCERNS OF VARIOUS INTEREST GROUPS WITHIN EC BUT AVOIDED UNNECESSARY CONFRONTATION WITH US OR OTHER NEGOTIATING PARTNERS. SECTION WAS VERY CONSCIOUS OF SIMILAR DISCUSSION IN FRENCH ECONOMIC AND SOCIAL COUNCIL (REFTELS) AND WANTED TO AVOID ANTI-AMERICAN AND POLEMICAL TONE PREVALENT IN FINAL OPINION DELIVERED BY THAT GROUP. FOREIGN AFFAIRS SECTION ALSO WORKED HARD TO OBTAIN APPROVAL OF VARIOUS COMMUNIST REPRESENTATIVES ON COMMITTEE AND WAS GRATIFIED BY THIS SUCCESS. (IN FRENCH DISCUSSIONS LAST YEAR, COMMUNIST LABOR REPS HAD VOTED AGAINST FRENCH COUNCIL REPORT ON GROUNDS THAT EC COULD NOT GUARANTEE LABOR INTERESTS IN FACE OF "CONSTANT ATTITUDE OF US" IN FAVOR OF PROTECTIONISM AND US WILLINGNESS TO VIOLATE INTERNATIONAL AGREEMENTS.)

5. ALTHOUGH COMMISSION IS NOT REQUIRED TO FOLLOW ADVICE OF LIMITED OFFICIAL USE

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ECONOMIC AND SOCIAL COMMITTEE, ITS VIEWS WILL INFLUENCE EC NEGOTIATORS. IN THIS REGARD, COMMITTEE'S HEAVY EMPHASIS ON EMPLOYMENT PROBLEMS AND NEED TO SAFEGUARD TROUBLED INDUSTRIES IS LIKELY TO STRENGTHEN THOSE COMMISSION FORCES FAVORING A RELATIVELY UNAMBITIOUS MTN OUTCOME. ON NEED TO REFER MTN RESULTS TO PARLIAMENT AND COMMITTEE, WE WOULD SPECULATE THAT, DESPITE SURFACE ATTRACTION THIS MAY HAVE FOR COMMISSION, IT WOULD EVENTUALLY NOT WANT TO HAVE ITS HANDS BOUND BY SUCH A REQUIREMENT. HINTON

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